



STATE OF DELAWARE

PUBLIC SERVICE COMMISSION


861 SILVER LAKE BLVD.
CANNON BUILDING, SUITE 100
DOVER, DELAWARE 19904

TELEPHONE:
FAX:

(302) 736-7500
(302) 739-4849

MEMORANDUM

TO: The Chairman and Members of the Commission

FROM: Lisa B. Driggins, Public Utilities Analyst 

DATE: December 3, 2015

SUBJECT: IN THE MATTER OF THE APPLICATION OF LEVEL 3
COMMUNICATIONS, LLC FOR APPROVAL TO PARTICIPATE IN A
FINANCING ARRANGEMENT
(FILED NOVEMBER 24, 2015) - PSC DOCKET NO. 15-1593

Application

Level 3 Communications, LLC ("Level 3 LLC" or the "Applicant") has filed an application seeking Commission approval to participate in a refinancing arrangement with its parent, Level 3 Financing, Inc. ("Level 3 Financing").

Applicant

Level 3 Communications, LLC

Level 3 LLC, a Delaware limited liability company, is a wholly-owned subsidiary of Level 3 Financing, which, in turn, is a wholly-owned subsidiary of Level 3 Communications, Inc. ("Level 3 Inc."). Level 3 LLC was granted a Certificate of Public Convenience and Necessity to provide interexchange telecommunications services and competitive local exchange telecommunications services in Delaware on December 1, 1998 in PSC Docket No. 98-114 in Order No. 4969.

Level 3 Financing, Inc.

Level 3 Financing, a Delaware corporation, is wholly-owned by Level 3 Inc., and a direct parent of Level 3 LLC and other subsidiaries.

Level 3 Communications, Inc.

Level 3 Inc., a Delaware corporation, is the parent to Level 3 Financing and the indirect parent of Level 3 LLC.

Transaction

The Applicant requests Commission approval to participate in a refinancing arrangement between Level 3 Financing and Level 3 LLC. Level 3 LLC will incur indebtedness and provide a guarantee for a total aggregate amount of \$900 million in 5.375% Senior Notes due 2024 (“Notes”) issued by Level 3 Financing to qualified institutional buyers in a private offering that is exempt from registration under U.S. Federal securities laws. Level 3 Financing will lend the net proceeds it receives in the offering of Notes to its subsidiary, Level 3 LLC, in return for an intercompany demand note issued by Level 3 LLC to Level 3 Financing. The funds from the Notes will be used, together with cash on hand, to redeem of all of Level 3 Financing’s outstanding 8.625% Senior Notes due 2020 and to pay the expenses of the offering. Again, in addition to providing a demand note to Level 3 Financing, Level 3 LLC will provide a guarantee of Level 3 Financing’s Notes.

Public Interest

The Applicant asserts that the public interest will be served and that the transaction is in accordance with the law and is for a proper purpose. According to the Applicant, the proposed financing arrangement will serve the public interest in promoting competition among telecommunications carriers by providing Level 3 LLC with the opportunity to strengthen its financial position through access to greater financial resources on more favorable terms. Furthermore, the Transaction will be transparent to customers and will not result in the discontinuance, reduction, loss, or impairment of service to customers.

Staff Recommendation

Applications seeking financing approval by large multi-state competitive intrastate telecommunications providers technically come under the provisions of 26 *Del. C.* §215 because the companies are deemed to be public utilities. The Applicant has represented that the financing

proposal is in accordance with law, for a proper purpose, and consistent with the public interest. The Commission has previously allowed such applications to become effective by statutory approval without Commission action. The result seems appropriate under the circumstances. Staff, therefore, recommends that the Commission not act on this application. Under 26 Del. C. §215(d), the effect will be that the application is deemed to be approved by the Commission. Staff will also acquire verification from the Applicant that the proposed financing arrangements have been completed.